

# The POWER OF data



A State of the  
Industry Report, by

**worldpay**



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**worldpay**

# Agent of Change

For the past few decades technology has driven retail trends. The agent of change in the next decade will be the power of data.

Headlines suggest that investment in data is necessary to compete and even survive in the retail space. From demographic data to online and in-store purchase histories, from payment trends to loyalty insights, data is seemingly everywhere. But what exactly does it all mean?

Data is transforming the retail landscape before our eyes, driving the omnichannel revolution and the rapid changes in the consumer shopping experience. Data insights improve customer experiences and influence shopping behavior in ways never before seen in the retail industry.

Retailers are figuring out what makes consumers tick, how to make them happy, and how to keep them coming back. In 2018 and beyond, making the most of data as a strategic resource will be a key to retailers' success.

This state of the industry report looks at how data is accelerating commerce by helping retailers understand consumer behavior, fight payment fraud, engage consumers on their terms, and start a dialog with consumers about privacy. ■



# Engaging Consumers Intelligently and Creatively

We're moving beyond the age of innovation and into the age of experience. Retailers and marketers need to focus on the data that enables and crafts those experiences. Data sits underneath and drives consumer expectations of seamless commerce.

Opening a dialog for informed conversation between retailers and consumers was once only a distant dream for retailers. Being able to do so at the point of purchase is nothing less than revolutionary. Properly harnessed data enables more personalized and therefore relevant conversations, elevating consumer engagement to an art form.

However, sometimes the best engagement is total transparency. Take payments. The most seamless, fast, and compelling payments experience is one where you're not thinking about payments at all. Consumers should be able to come and go, pick

up what they need, and use the services that they need without any conversation.

It's increasingly clear that loyalty programs are central to engagement. A 2018 report by Worldpay and Socratic Technologies revealed that 55% of consumers surveyed use membership deals always or most of the time, with the most frequently used discounts tied to loyalty membership.

When payment is made retailers should be keeping track of and rewarding that loyalty. Money ought to change hands seamlessly. The friction of having to sort through all your loyalty cards—or even type in your phone number—melts away. The ease of payment and the reward is what sticks. That's a seamless customer journey charged by data.

Consumer expectations are completely changing in this age of experience. The intelligent application of data is the connective tissue that enables those seamless

experiences. Retailers that satisfy those elevated consumer expectations are strongly poised for success in the form of increased visits and customer loyalty.

Integrating data from different sources helps develop a broader understanding of who that customer is and what makes them tick. Knowing that a customer is a mom, for example, with kids who maybe travels once a month is important as these are key factors influencing her purchases. Having that fuller picture helps a retailer understand the potential to grow the customer's basket size or visit frequency, turning her into a \$1,000 a month shopper.

Seeing the full picture beyond how she spends allows retailers to better serve her as a customer. Having the right people and processes around your data to nail that—and scale that—provides insights that might change everything from how you advertise to how you stock your shelves. ■

## Understanding Consumer Behavior

The ultimate prize for the retailer is a clear and complete picture of the consumer. Retailers are increasingly blending demographic data—age, gender, household type—with purchasing, payments and other insights to better understand consumers. If you are only looking

through the lens of what shoppers have done in your store, you're missing a huge part of the picture. Take a grocer that has a customer spending \$400 per month in her store. The customer has been loyal, shopping in the store almost once a week for over a year, which sounds great. But a

wider view might reveal that the customer is spending \$1,200 a month on restaurants, quick serve—and other grocery. Knowing that gap exists opens prime marketing opportunities to better serve that customer and increase the value of the relationship. ■



# Talking Privacy With Consumers

Retailers face both rising consumer expectations and evolving regulatory requirements around data privacy. Privacy is extremely important to consumers, but it also offers a great opportunity for retailers to open a dialog with consumers.

Retailers can show that they are deserving of consumer trust by demonstrating value in the data exchange. If the value they are getting isn't well understood, consumers may feel used. It's harder to establish trust when data drives retargeting and pop-up ads that annoy consumers.

On the other hand, intelligent use of data that delivers real value and improves consumer experiences starts a virtuous cycle. When retailers improve the shopping experience and reward consumers by leveraging their data, they aren't as likely to worry about the retailer invading their privacy.

They're more likely to appreciate the retailer for being smart.

A little give and take can go a long way toward building relationships with consumers. Research conducted in 2018 by Worldpay and Socratic Technologies revealed that more than half (52%) of consumers are willing to offer personal information in exchange for free shipping.

Retailers do need to demonstrate good stewardship of personally identifiable data and payments data from a security standpoint. Protecting against worst-case scenarios like data breaches is vital. But retailers who get it right are demonstrating to customers the value they receive in return for the use of their data. Customers are likely to reward those efforts with greater trust, repeat visits and bigger baskets. ■

# Fighting Payment Fraud

Nothing puts the brakes on retail commerce like theft. Fraud is a clear and present threat to consumer confidence and retailer bottom lines. Data is now an essential tool in the fight to safeguard and secure commerce, anywhere and everywhere it takes place.

Attacking fraud relies on many of the same principles of data analysis that enable better understanding of shopping

behavior. Fighting fraud starts with understanding what 'good' looks like, rather than trying to always understand 'bad' transactions. Data allows you to understand how someone's spending so potential fraud is flagged the instant something doesn't look right. Data leveraged with the right tools helps prevent fraud before it ever takes place.

The hard work is connecting the dots and leveraging machine learning to block bad transactions while letting the good ones through. Getting it wrong either way is a big deal. You're either losing money to fraud or you have an upset customer because they were declined. The goal is to maximize acceptance of good transactions while locking out the bad.

Fraudsters aren't packing up and going home. They're going to find leaks, and they're going to find a way through. Data offers the raw material for retailers to build meaningful defenses. Retailers with visibility into enough data to strike that balance will have a strong leg up on the competition by ensuring a hassle-free and safe shopping experience for the consumer. ■

## Data Breaches: What Consumers Think

Worldpay and Socratic Technologies conducted a survey of 500 consumers to learn more. Here are some highlights.

- About one in four consumers (24%) have been impacted by a data breach that compromised their payment card information. Across generations, Gen Xers are the group with the highest incidence rate at 26%. Retirees have the lowest incidence rate at 20%.
- Consumers believe that mass merchants are the chief victims of recent data breaches. Survey respondents are most aware of data breaches reported by large mass merchants at 51%. This is followed by department stores at 23%.
- Among restaurants, respondents most often hear about data breaches in the quick-service sector. Consumers are most aware of data breaches at fast casual/quick service restaurants (20%), followed by family dining (10%) and coffee shops/cafes (6%).
- After a data breach, consumers recall retailers and restaurants notifying them by mail and offering credit and identity theft monitoring. Mailed letters are the most common action reported by survey respondents at 39%. Credit and identity theft monitoring are the second most popular action with 37% of participants reporting. Email notifications are a close third at 31%.
- When a data breach affects their personal information, consumers expect to be notified and offered credit and identity theft monitoring. Survey participants expect an email notification with 75% of respondents reporting. This is followed by credit and identify theft monitoring (60%) and mailed letters (60%).
- Millennials have the highest expectations when it comes to email notifications and credit and identify theft monitoring. The youngest generation has the highest expectations for these services to be offered, with 83% of Millennials expecting email notifications and 68% looking for credit and identity theft monitoring.
- Most consumers are satisfied with the steps taken by retailers and restaurants following data breaches.

In the survey, 86% of total participants express their satisfaction with the responses they received from merchants following data breaches.

The majority of data breach victims continue to patronize retailers and restaurants that have come under attack.

Among the victims of data breaches that participated in the survey, 61% indicate that they "probably" or "definitely" would continue patronizing a retailer or restaurant that was attacked.

For survey participants that have NOT yet been victims of a data breach, only 50% report that they "probably" or "definitely" would continue patronizing a retailer or restaurant that exposed their data. ■

# Q&A:

## A Look Ahead



Nicole Jass, Senior Vice President, Integrated Payments, Fraud, and Data Products at Worldpay, discusses what she sees on the horizon for data's influence on retail.

**Worldpay: What do you find most exciting about connecting data trends to customer engagement?**

**Nicole Jass:** It's a thrilling time for retail. There is a real sense of shared optimism about how intelligent use of data improves both consumer experiences and retailer bottom lines. Connected data is transforming and elevating the very nature of engagement across the retail landscape.

Retailers are reducing friction in payments, realizing the immense promise of loyalty programs, and becoming more responsive to consumer needs. I love the retailers who are connecting all of the dots for their shoppers. I frequent many retailers that are doing a great

job of using data to create unified experiences across channels. These companies tie everything together from curated emails that understand each consumer's shopping history, to being able to checkout right there while you're buying in-store, to fantastic app experiences.

The brands that are getting it right are the ones that surround the customer and get them the apps, the in-store experience and the marketing campaigns that resonate. They're all tied together—and that's the magic.

Obviously it's compelling for the retailer because it's going to be able to drive more loyalty, but I get excited about it as a shopper to have those more meaningful experiences.

**W: How have loyalty programs evolved as competition increases and using data analysis becomes more prevalent?**

**J:** At best, we're making ourselves invisible. Think about times where you pay for transportation without exchanging money or even swiping a card. You can also think of amusement parks that incorporate an entire experience into a bracelet or an app. The fuel is data.

Data drives the expectation of the consumer that it's all seamless. I can come and go as I need, the money is transacting without me thinking about it and you should be rewarding me for spending that money. The friction of having to search through cards goes away. The connective tissue is collecting and connecting the data.

**W: What's next on the horizon for retailers seeking insight from consumer data?**

**J:** I think of the ways retailers are using consumer data in three buckets: better and more thoughtful advertising, intelligent measurement and attribution, and finally, strategy.

Advertisers have made great strides in using omnichannel shopping data to better connect with their audiences—that story is well understood. Marketers have been using data to demonstrate value through more granular measurement tools. That attribution piece still needs work but is progressing nicely. The future horizon is leveraging data to inform strategy—how to take a fresh look at footprint strategy, or omnichannel experiences, for example. Used right, data can inform optimized configurations of stores in a given region and can help decide what kind of merchandise to put in

each store based on demographics and localized sales patterns.

Data can help with everything from content curation to understanding how people are spending online to influence local stores.

Nearly all retailers are on a mission to collide the worlds of online and in-store because the consumer expects there to be this really cohesive experience anywhere they touch a brand. It's a defining anchor of omni-commerce—they're just not separate anymore.

Being able to connect the experiences so consumers can focus on the value of their purchases instead of the means to obtain them is critical. That fusion starts with connecting the data. The future is about the ability to connect the dots, make retailers' marketing dollars go further, and ensure that what they're spending on is actually driving consumer behavior.

**W: What should we expect now that artificial intelligence is maturing and making its way into the retail market?**

**J:** One of the most relevant and influential applications of artificial intelligence is voice. Voice is an interface

that's so natural to us, and especially how we shop.

“The brands that are getting it right are the ones that surround the customer and get them the apps, the in-store experience and the marketing campaigns that resonate....They're all tied together—and that's the magic.”

Think about walking into a store, saying “Hey,” to your phone or watch, “Where do I find x?” You're directed to the proper aisle, grab your item, and walk out the door with the simple words “pay with my Amex” or “pay with my Visa.” That's data and AI en-

abling truly seamless retail experiences.

Voice is a fascinating interface that promises infinite practical utility. Voice is naturally plugging into our total experience.

If you watch children interacting with Siri and Alexa—it's not novel to them.

It's grounded in how they think of the world. Retailers talk a lot about enabling conversations with consumers. Now those conversations are literal, not just figurative.

**W: E MV is winning the battle against fraud in-store, but the omnichannel merchant still needs to be diligent about fraud online. How can a payments partner help retailers address card not present fraud?**

**J:** Data is extremely powerful in combatting fraud. The key is if you understand the good and what's working, you can more easily see when something doesn't work.

Look for a partner that understands this. If you get it wrong and decline a good transaction, that's a poor customer experience. You can lose customers by declining good transactions. You need to get it right when they hit submit. ■

### About Worldpay

Worldpay is a leading payments technology company with unique capability to power global integrated omni-commerce. With industry-leading scale and an unmatched integrated technology platform, the company offers clients a comprehensive suite of products and services globally, delivered through a single provider.

Worldpay processes over 40 billion transactions annually through more than 300 payment types across 146 countries and 126 currencies. The company's growth strategy includes expanding into high-growth markets, verticals and customer segments, including global eCommerce, Integrated Payments and B2B.

Worldpay, Inc. was formed in 2018 through the combination of the No. 1 merchant acquirers in the U.S. and the U.K. The firm trades on the New York Stock Exchange as “WP” and the London Stock Exchange as “WPY.”

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